



## Press Release

### **FIRST HALF 2002 LAGARDERE MEDIA OPERATING INCOME GROWTH +7.3% (\*)**

### **NET INCOME (EXCLUDING EADS) INCREASED +21.7%**

At its meeting on September 13, 2002, the Supervisory Board reviewed the financial statements for the first half of 2002, as presented by Jean-Luc Lagardère, General Partner and Chief Executive Officer, Arnaud Lagardère and Philippe Camus, General Partners and Co-Chief Executive Officers.

### **CONSOLIDATED REVENUES GREW BY +3.1% TO 6,475 M€ (vs 6,277 M€ in 2001)**

- **Lagardère Media revenues** of 3,905 M€ were up +7.6% (+6.7% on a comparable basis). This growth came from the good performance realised especially by the Distribution & Services as well as Book divisions.
- **Matra Automobile** revenues declined by close to -10.9%. The *Espace* minivan, despite a continuing commercial success, is experiencing a progressive erosion of its market share which is typical for a model that has reached the end of its cycle. The *Avantime* is still in a marketing launch phase.
- **EADS** revenues remained stable despite the decline, as expected, from the Space division.

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(\*) This growth rate is calculated using the accounting period January to June for the first half of 2001 which is the same for the first half of 2002 regarding "Lagardère Active Broadcast".  
The published sales for the first half of 2001 included the accounting period October 2000 to March 2001 for "Lagardère Active Broadcast", which now closes its accounts on December 31st instead of September 30th historically.  
The Lagardère Media operating income rose by +2,1% based on the published figures.

## **CONSOLIDATED OPERATING INCOME GREW BY +6% TO +208 M€ (vs +197 M€ IN 2001)**

The analysis of this increase is the following:

- **Lagardère Media** contributed **+143 M€**, up **+7.3%**.

This growth rate is calculated using the accounting period January to June for the first half of 2001 which is the same for the first half of 2002 regarding "Lagardere Active Broadcast" (Radio and Audiovisual activities). The published sales for the first half of 2001 included the accounting period October 2000 to March 2001 for "Lagardere Active Broadcast", which now closes its accounts on December 31st instead of September 30th historically. The Lagardere Media operating income rose by +2.1% based on the published figures.

The strongest improvement came from "Lagardere Active" as a result of significant cost reductions within "Lagardere Active Broadband" (Digital activities excluding Radio and Television). The small decrease in operating income registered by "Lagardere Active Broadcast" (Radio and Television activities) is the result of a weak radio advertising market as well as the investments realised in the thematic channels, *Match TV* in particular.

"Distribution & Services" operating income grew by +3.5%. This is a result of the dynamic internal growth generated by the substantial gains made with new retail concessions as well as new national distribution contracts in the U.S. and Spain. The dynamism helped compensate the effects of the airports activity which has not regained the levels seen before the September 11th events, as well as an increased seasonality resulting from the *Virgin* acquisition, whose operating income for the year is generated during the second half of the year.

"Hachette Livre" rose by +11.7% as a result of the good performance registered in its traditional activities such as trade, illustrated books and education as well as the success of the partworks editorial developments.

Up against a steep decline in the US advertising market and without a dynamism within its other activities which were still growing during the first quarter of 2001, "Hachette Filipacchi Medias" (Press activity) saw its operating income drop by -3.8% while improving its operating income margin.

In conclusion, in a more difficult advertising market, the growth of the operating income comes, in particular, from the good execution of the profitability improvement plan and accelerated growth program launched last year by Lagardère Media.

- In 2002, the EADS group is consolidated proportionately at 15.10%.

The EADS accounts have been restated in order to comply with LAGARDERE French GAAP.

Despite a difficult environment, especially for the civil aviation market (Airbus), EADS improved its operational result for the first half and announced a 20% increase in its EBIT objective (Earnings before interest & taxes, pre-goodwill amortization and exceptionals), for the full year 2002.

In total, the EADS contribution to the LAGARDERE consolidated accounts was +50 M€ in operating income (compared to +29 M€ for the same period in 2001).

- The **Automobile** division produced an operating income of +27 M€, versus +38 M€ during the first half of 2001. As expected, this drop reflects the reduction of the *Espace* marketing activity as well as the gradual progression of the *Avantime* launch which did not benefit from the full spectrum of the various engine models until late May 2002.

#### **INTEREST EXPENSE: -183 M€**

This expense includes an additional provision for the depreciation of the T-Online shares (-132 M€ before tax).

As a reminder, the interest expense last year included the capital gain realized from the sale of the EADS "excess shares" in the amount of +210 M€. Last year included, as well, a provision for depreciation of the T-Online shares which amounted to -157 M€.

Excluding these non recurring items, the financial expense remained stable overall for Lagardère excluding EADS (-23 M€ versus -22 M€ one year earlier).

#### **NON-OPERATING INCOME: -9 M€**

This line includes 31 M€ of costs related to the Profitability Improvement Plan for the media activities and an adjustment for the end for the *Espace* for Matra Automobile.

During the same period last year, the non-operating income was +290 M€. This was essentially the result of the profit recorded by EADS regarding the creation of Airbus SAS (a +349 M€ contribution to the LAGARDERE consolidated accounts).

## INCOME TAXES

The Income Tax is a positive 133 M€ in the first half of 2002. This reflects a profit of +166 M€ related to a reduction in the provision for the capital gains tax accrued following the sale of Club Internet in April 2000.

This adjustment is primarily the result of the reduction of the capital gains tax rate to the long term rate of 20.2%. The original provision was established based on the short term capital gains tax rate of 36.43%. This tax will come due when the T-Online shares are sold. It is now certain that the shares will not be sold before end of April 2003 which means that the group will benefit from the reduced capital gains tax rate.

AMORTIZATION OF GOODWILL, INCOME FROM ASSOCIATES and MINORITY INTERESTS do not show any significant variances.

In summary, and **excluding the EADS contribution, NET INCOME** is **+97 M€ up +21,7%**. The EADS contribution, 7 M€, compares to +324 M€ last year, which included the profit recorded by EADS, relating to the creation of Airbus SAS (contribution to the LAGARDERE consolidated accounts was +349 M€).

MILLIONS OF EUROS	<u>FIRST SEMESTER 2002</u>			<u>FIRST SEMESTER 2001</u>		
	LAGARDÈRE GROUP EXCL. EADS	EADS CONTRIBUTION	TOTAL LAGARDÈRE GROUP	LAGARDÈRE GROUP EXCL. EADS	EADS CONTRIBUTION	TOTAL LAGARDÈRE GROUP
<b><u>Sales</u></b>	<b>4,455.3</b>	<b>2,019.3</b>	<b>6,474.6</b>	<b>4,248.6</b>	<b>2,028.3</b>	<b>6,276.9</b>
Operating income	157.5	50.8	208.3	167.8	28.8	196.6
Interest income (expense), net	(155.7)	(27.2)	(182.9)	31.0	8.4	39.4
Current income	1.8	23.6	25.4	198.8	37.2	236.0
Non-operating expenses	(16.2)	6.8	(9.4)	(54.4)	344.4	290.0
Preferred remuneration, net	(5.5)	-	(5.5)	(7.0)	-	(7.0)
Income taxes	146.1	(12.9)	133.2	(26.3)	(45.5)	(71.8)
Amortization of goodwill	(39.0)	(22.5)	(61.5)	(37.0)	(19.5)	(56.5)
<b><u>Net income before associates &amp; minority interests</u></b>	<b>87.2</b>	<b>(5.0)</b>	<b>82.2</b>	<b>74.1</b>	<b>316.6</b>	<b>390.7</b>
Income from associates	12.6	8.7	21.3	12.7	5.8	18.5
Minority interests	(2.9)	3.6	0.7	(7.2)	2.1	(5.1)
<b><u>Net income</u></b>	<b>96.9</b>	<b>7.3</b>	<b>104.2</b>	<b>79.6</b>	<b>324.5</b>	<b>404.1</b>

## **SOLID BALANCE SHEET**

The net bank debt as of June 30, 2002 is -99 M€, and can be compared with the Consolidated Net Worth of 4,309 M€.

In addition, the Group issued on July 1, 2002 an exchangeable bond offering of LAGARDERE into T-Online which raised 767,6 M€. The loan, with an interest rate of 2.5%, will help reduce the Group's average cost of financing.

Finally, it is worth noting that LAGARDERE has in place two lines of credit for a total amount of 1,91 billion euros. These credit lines were put in place in 2001 and have maturities between 5 and 10 years. They will provide LAGARDERE with a stable financing platform for its future development.

**Paris, September 16, 2002**

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